

Message Text

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ORIGIN OPIC-06

INFO OCT-01 NEA-09 ISO-00 EB-07 AID-05 /028 R

DRAFTED BY OPIC/F: BBOSTWICK
APPROVED BY EB/IFD/ OIA:RJSMITH
OPIC/F:FRHILL
OPIC/F:JKCULMAN (DRAFT)
OPIC/GC:CLIPMAN (DRAFT)
EB/IFD/OIA:DHSTEBBING
NEA/INS:RBMORLEY

----- 100845

R 292215Z APR 75
FM SECSTATE WASHDC
TO AMEMBASSY NEW DELHI

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: POTENTIAL OPIC LOANS TO HINDUSTAN ALUMINUM CORP.

1. OPIC HAS BEEN INFORMALLY APPROACHED BY KAISER REPS TO ASSIST IN FINANCING A 120 MEGAWATT COAL-FIRED GENERATOR TO AUGMENT POWER SUPPLY TO SUBJECT COMPANY. APPROXIMATE PROJECT COSTS ARE THIRTY MILLION DOLLARS FOR OFFSHORE GOODS AND SERVICES AND TWENTY MILLION DOLLARS FOR LOCAL COSTS.

2. OPIC WILLING TO CONSIDER BOTH LOCAL CURRENCY AND DOLLAR FINANCING FOR PROJECT. HOWEVER, WOULD APPRECIATE EMBASSY AND ANTICIPATED GOI REACTION TO SUCH ASSISTANCE BEFORE FURTHER DISCUSSIONS ARE HELD.

3. OPIC HAS AUTHORITY UNDER SECTION 234(C) OF ITS LEGISLATION (P.L. 91-175) TO UTILIZE EXCESS LOCAL CURRENCIES FOR LENDING TO PRIVATE VENTURES. AS IN THE PAST, SUCH LENDING WOULD HAVE TO BE CONSISTENT WITH DEVELOPMENT OBJECTIVES OF HOST COUNTRY AND WOULD LIKELY REQUIRE APPROVAL OR "NON-UNCLASSIFIED

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OBJECTION" OF GOI.

4. OPIC DOLLAR ASSISTANCE WOULD TAKE THE FORM OF GUARANTY OF LOANS TO PROJECT. INTEREST RATE PLUS OPIC GUARANTY FEE WOULD LIKELY BE IN 10-11 PERCENT RANGE. IT IS OUR

IMPRESSION THAT THIS EFFECTIVE RATE WOULD BE HIGHER THAN WOULD BE PERMITTED BY GOI FOR FOREX LENDING. CAN YOU CONFIRM FOREGOING AND GIVE SOME IDEA OF CURRENT INTEREST RATES FOR FOREX LENDING IN INDIA?

5. ALSO CONSIDERING A SMALL (TWO MILLION) DIRECT DOLLAR LOAN IN THE FORM OF CONVERTIBLE DEBENTURE WHICH WOULD CARRY RATE OF 8 TO 8 AND ONE-HALF PERCENT. POTENTIAL PROBLEM WITH THIS APPROACH MIGHT ARISE IF DEBENTURES SUBSEQUENTLY SOLD BY OPIC LOCALLY AT A PREMIUM. WOULD GOI MAKE FOREX AVAILABLE FOR PROCEEDS TO OPIC ABOVE PAR VALUE OF DEBENTURE?

6. EMBASSY AND ANTICIPATED GOI REACTIONS TO PROJECT, OPIC LOCAL CURRENCY AND DOLLAR LENDING, AND RATES WOULD BE APPRECIATED. YOU ARE NOT BEING REQUESTED TO APPROACH GOI AT THIS TIME. KISSINGER

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